

Message Text

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ACTION EB-07

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TAGS: ENRG, ECRP, PK,

SUBJ: PAKISTAN PETROLEUM DISCOVERY AT DHODAK

REF: ISLAMABAD 13004

1. SUMMARY: GOP CONTINUES ITS OPTIMISTIC PUBLICITY ON DHODAK STRIKE REPORTED IN REFTEL BUT PRIVATE PETROLEUM INDUSTRY SOURCES ARE MUCH MORE CAUTIOUS ABOUT ITS SIGNIFICANCE. INDUSTRY STATES THAT DISCOVERY IS MORE PROPERLY TERMED GAS CONDENSATE RATHER THAN CRUDE OIL WITH GAS, AS ANNOUNCED BY GOP. MOST OF PRIVATE INDUSTRY BELIEVES THAT THE ANNOUNCED QUALITY IS PROBABLY VALID BUT THAT THE QUANTITY CLAIMED IS AT BEST AN EDUCATED GUESS. SOME WONDER IF THE 200 .MILLION BARRELS IS NOT TOTAL AMOUNT IN THE STRUCTURE RATHER THAN A PROBABLE RECOVERABLE RESERVE FIGURE. ONE PRIVATE INDUSTRY SOURCE EXPRESSED CONCERN THAT THE GOP PETROLEUM
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REORGANIZATION ANNOUNCED WITH THE OIL STRIKE WILL WORK TO THE DETRIMENT OF PRIVATE INDUSTRY. END SUMMARY.

2. THE GOP, THE STATE-OWNED OIL AND GAS DEVELOPMENT CORPORATION (OGDC), AND THE GOVERNMENT-DIRECTED PRESS HAVE CONTINUED TO TRUMPET DHODAK PETROLEUM DISCOVERY AS HAVING POTENTIAL TO MEET ALL COUNTRY'S NEEDS WITHIN THREE TO FIVE YEARS. OGDC CHAIRMAN,

SHAHZAD SADIQ, IN A TELEVISED PRESS INTERVIEW, CONFIRMED FIGURES ANNOUNCED EARLIER BY PRIME MINISTER BHUTTO. SADIQ SAID THAT PRELIMINARY ESTIMATES PLACED RESERVES AT 200 MILLION BARRELS OF OIL AND FOUR TO FIVE TRILLION CUFT OF NATURAL GAS. HE VALUE THIS FIND AT PRESENT DAY PRICES AT \$2.4 BILLION FOR THE OIL AND \$2.6 BILLION FOR THE GAS. SADIQ SAID THE OIL COMPONENTS WERE 75 PERCENT GASOLINE, 14 PERCENT KEROSENE AND 11 PERCENT DIESEL. THE GAS IS 85 PERCENT METHANE AND SULFUR-FREE ACCORDING TO SADIQ. THE SHALLOW DEPTH OF THE DISCOVERY (7-8,000 FEET) LEADS OGDC TO ESTIMATE WELL-HEAD COST OF OIL PRODUCTION AT 60 CENTS PER BARREL. SADIQ ADDED THAT DEVELOPMENT OF DHODAK PLUS FURTHER DEVELOPMENT OF EXISTING OIL PRODUCTION COULD MAKE PAKISTAN SELF-SUFFICIENT WITHIN THREE TO FIVE YEARS. PAKISTAN COULD THEN PRODUCE 75,000 TO 80,000 BARRELS PER DAY FOR ABOUT TEN YEARS.

3. PRIVATE INDUSTRY SOURCES WITH WHOM CONGEN KARACHI AND EMB HAVE TALKED ARE MUCH MORE CAUTIOUS ABOUT SIGNIFICANCE OF DHODAK STRIKE. KARACHI TALKED WITH MARATHON AND TEXAS GULF REPS AND EMB CONSULTED AMOCO, WESTERN GEOPHYSICAL, AND ATTOCK OIL COMPANY. ALL AGREED THAT NATURAL GAS IS THE MORE IMPORTANT PORTION OF DHODAK FIND WHICH SHOULD PROPERLY BE LABELED GAS CONDENSATE RATHER THAN A CRUDE OIL DISCOVERY. CONSENSUS OF INDUSTRY IS THAT QUALITY ANNOUNCED BY GOP IS PROBABLY ACCURATE BUT THAT QUANTITY CLAIMED, WHILE POSSIBLE, IS MUCH LARGER THAN PRUDENT INTERNATIONAL FIRMS WOULD HAVE ANNOUNCED. INDUSTRY STATES THAT IT IS POSSIBLE TO MAKE AN EDUCATED GUESS OF RESERVES AT THIS STAGE BASED UPON FLOW FROM THE ONE WELL AND THE SIZE OF THE STRUCTURE KNOWN FROM SEISMIC STUDIES. THE TEXASGULF REP STATED THAT DHODAK WAS A LARGE STRUCTURE WHICH SHOULD HAVE BEEN DRILLED YEARS AGO, LIMITED OFFICIAL USE

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ALTHOUGH ATTOCK OIL EXPRESSED DOUBTS AS TO THE SIZE OF THE STRUCTURE.

4. THE DHODAK DISCOVERY WILL DIRECTLY AFFECT ONLY ONE PRIVATE OIL COMPANY, AMOCO, BUT ALL FELT THAT THIS FIND COULD STIMULATE INCREASED INTEREST IN EXPLORATION IN PAKISTAN. AMOCO IS WELL PLACED AS ITS BLOCK "C" CONCESSION IS IMMEDIATELY ADJACENT TO THE NARROW OGDC CONCESSION ON WHICH DHODAK WAS DRILLED AND POSSESS PART OF THE DHODAK GEOLOGICAL STRUCTURE. AMOCO OFFICIALS IN PAKISTAN, HOWEVER, WERE UNABLE TO STATE WHETHER THIS MIGHT LEAD THE PARENT COMPANY TO RETHINK THE PRESENT STAND-DOWN OF DRILLING OPERATIONS UNTIL JANUARY 1, 1978.

5. THE MOST NEGATIVE VIEW OF THE DHODAK DISCOVERY WAS GIVEN TO THE ECONCOUNS BY MR. LODHI, THE CHAIRMAN OF ATTOCK OIL, WHICH IS LARGELY UK OWNED. ATTOCK OPERATES MOST OF THE EXISTING OIL FIELDS IN PAKISTAN AND THE REFINERY NEAR ISLAMABAD. MR. LODHI SUSPECTS THAT THE RESERVE FIGURE INCLUDES POSSIBLE OIL IN SEVERAL SMALL SIMILAR GEOLOGICAL POCKETS ELSEWHERE IN THE OGDC

CONCESSION AREA. HE DOUBTS THE THE TEST FLOW WAS SUFFICIENTLY LONG TO TEST WELL CAPACITY. HE ACCEPTS THE CLAIM THAT DHODAK CONTAINS GAS, GASOLINE AND NAPHTHA BUT SAYS HIS TECHNICIANS DO NOT BELIEVE OGDC'S CLAIMS ABOUT KEROSENE AND DIESEL. HE FUTHER DOUBTS OGDC ABILITY TO PERFORM THE DRILLING PROGRAM TO OUTLINE THE FIELD BY THE END OF 1977 AND TO DEVELOP THE FIELD WITHIN THREE YEARS. (THE DOUBTS CONCERNING THE OGDC TIME-TABLE ARE SHARED BY THE OTHER FOREIGN COMPANIES.)

6. MR. LODHI ALSO EXPRESSED CONCERN THAT THE REORGANIZATION OF THE OIL AND GAS FUNCTION WITHIN THE GOP, ANNOUNCED BY THE PRIME MINISTER AT THE SAME TIME AS THE DHODAK DISCOVERY, WILL WORK TO THE DETRIMENT OF PRIVATE INDUSTRY. TO DATE THE MINISTRY OF FUEL, POWER AND NATURAL RESOURCES HAS SERVED AS A CONCESSION GRANTING AND REGULATORY AGENCY TREATING THE GOVERNMENT'S OGDC AND PRIVATE FIRMS ON A REASONABLY EQUAL BASIS. (AN EMBOFF HAS BEEN PRESENT WHEN THE DIRECTOR OF CONCESSIONS INFORMED OGDC IN LIMITED OFFICIAL USE

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NO UNCERTAIN TERMS OVER THE PHONE THAT UNTIL ITS POOR DRILL RATE WAS IMPROVED, IT WOULD NOT GET NEW CONCESSION AREAS.) LODHI FEARS THAT ONCE THE PETROLEUM SECTORS OF THE MINISTRY ARE MERGED WITH OGDC INTO A PAKISTAN PETROLEUM COMMISSION, THE OGDC WILL RECEIVE FAVORED TREATMENT VIS-A-VIS PRIVATE FIRMS. AS IT APPEARS THAT THE PRESENT CHAIRMAN OF OGDC WILL RECEIVE THE SECRETARY-LEVEL POSITION AS HEAD OF THE NEW COMMISSION, THIS IS A VERY REAL RISK. BYROADE

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